



# Anti-Fraud Policy

March 22, 2019

## Policy Information

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## 1. INTRODUCTION

The Federal Home Loan Bank of Indianapolis (the “Bank”) is committed to the establishment of a comprehensive Anti-Fraud program for all of its business lines. This Policy is established pursuant to the regulations of the Federal Housing Finance Agency (“Finance Agency”)<sup>1</sup>, the Finance Agency’s Advisory Bulletin 2015-01 on FHLBank Fraud Reporting (“Advisory Bulletin” or “AB”), and the regulations of the Financial Crimes Enforcement Network (“FinCEN”).<sup>2</sup> It is the policy of the Bank to comply fully and completely with all applicable governmental requirements that have been designed to prohibit and prevent fraud and financial crimes, such as money laundering, terrorist financing, and/or other criminal activity.

This *Anti-Fraud Policy* (“Policy”) is part of the Bank’s overall Anti-Fraud Program, which includes the Bank Secrecy Act (“BSA”), Anti-Money Laundering (“AML”), and Office of Foreign Asset Control (“OFAC”) Programs. This Policy will be reviewed at least annually and updated as necessary in response to changes in applicable law and changes in the Bank’s operations.

In case of a conflict among the requirements of this Policy, the Procedures, applicable law, or regulation (including, without limitation, applicable guidance, Advisory Bulletin, Q&A, or other written advice of the Finance Agency), the following will govern in order of priority: (1) applicable law, (2) applicable regulation (as defined above), (3) this Policy, and (4) Procedures.

### 1.1. SCOPE

This Policy applies to all Bank products, services, and investments, including, without limitation:

- Advances
- Collateral
- MBS investments
- Unsecured investments
- Acquired Member Asset programs
- Derivatives
- Community Investment Program
- Correspondent Services
- Bank administration
- Office of Finance funding.

This Policy applies to the following parties, henceforth referred to as “Covered Persons:”

- The Bank;
- All Bank employees, officers, and directors;
- Members of the Bank’s Affordable Housing Advisory Council (“AHAC”) members and housing associates of the Bank (Members);
- The Bank’s vendors and contractors;
- The Bank’s counterparties;
- The Bank’s service providers; and
- The Bank’s consultants.

<sup>1</sup> 12 C.F.R. Part 1233.

<sup>2</sup> 31 C.F.R. Part 1030.



1.2. RELATED DOCUMENTS

Code of Conduct Anti-Fraud Procedures (“Procedures”)
(With all attachments: Policy Prohibiting Insider Trading of Securities, Whistleblower Policy, and this Policy )

1.3. ROLES/RESPONSIBILITIES

Table with 2 columns: Department/Officer/Working Group/Committee/Other, Brief Summary of Responsibilities. Rows include Board of Directors, Financial Instruments Fraud Officer (“FIFO”), BSA/AML Officer, and Internal Audit.

1.4. EXCEPTIONS

No exceptions to this Policy are allowed.

1.5. VIOLATIONS

Willful or grossly negligent non-compliance with this Policy may subject a person to discipline per the Code of Conduct.

3 Possible fraud is defined in Section 1233.2 of the Finance Agency’s fraud reporting regulation (12 C.F.R. Part 1233).

4 These terms are defined in 12 C.F.R. § 1233.2.



## 2. POLICY

### 2.1. DEFINITIONS

#### 2.1.1. MONEY LAUNDERING

“Money laundering” is generally defined as engaging in acts designed to conceal or disguise the nature, control, or true origin of criminally derived proceeds so that those proceeds appear to have been derived from legitimate activities or origins or otherwise constitute legitimate assets.

#### 2.1.2. TERRORIST FINANCING

Unlike money laundering, terrorist financing is typically motivated by ideological, rather than profit-seeking concerns, and often may not involve the proceeds of criminal conduct. Money laundering is frequently an important component of terrorist financing, and the methods used are often similar or identical to those used by money launderers. Large sums are not necessarily involved, and the original funds may well be legitimate rather than illegally obtained. One goal of terrorist financing is to establish flexible and mobile sources of funding for the purchase of products and services that will be used to further or commit terrorist acts.

#### 2.1.3. SUSPICIOUS ACTIVITY

“Suspicious Activity” includes any observed or detected behavior or activity that could indicate financial crime or another violation of law. The Bank may use a number of methods to identify potentially suspicious activity, including but not limited to activity identified by employees during day-to-day operations, law enforcement inquiries or requests, advisories issued by regulatory or law enforcement agencies, transaction and surveillance monitoring system output, or any combination of these.

#### 2.1.4. FRAUD

“Fraud” means a deliberate, wrongful and/or criminal deception intended to result in unfair and/or unlawful financial or personal gain. Fraud generally means an act of deception, bribery, forgery, extortion, theft, misappropriation, false representation, conspiracy, corruption, collusion, embezzlement, or intentional concealment or the omission of material facts. Fraud is a violation of trust that, in general, refers to an intentional act committed to secure personal or business advantage. While fraud can cover many activities, this Policy is directed primarily at financial matters that could be legally defined as fraud. There are numerous criminal and civil definitions of fraud. Listed below are additional examples of “financial fraud”, which generally fall into three broad categories and may include, but are not limited to, the intentional:

2.1.4.1. Misappropriation of assets, including, without limitation, forgery, alteration or misappropriation of checks, drafts, promissory notes, or securities; unauthorized non-business acquisition, use, or disposition of funds, inventory, furniture, fixtures, equipment, records, or other assets; embezzlement; theft; falsifying time sheets or payroll records including, but not limited to, reporting hours not worked or a supervisor not allowing the reporting of all hours worked by hourly employees; falsifying travel and entertainment expenses and/or utilizing Bank funds to pay for personal expenses; fictitious reporting of receipts from suppliers or shipments to customers; misappropriation of Bank-owned computer hardware, software, data, or other records including intangibles (e.g., proprietary information, trade secrets, patents, etc.);

2.1.4.2. Fraudulent financial reporting, including, without limitation, improper earnings management, improper revenue recognition; overstatement of assets, understatement of liabilities, and misapplication of generally accepted accounting principles;



- 2.1.4.3. Expenditures and liabilities for improper purposes, including, without limitation, bribery and kickbacks; and
- 2.1.4.4. Intentional and willful making of any other material representations.
- 2.1.4.5. Misstatement, misrepresentation, or omission that cannot be corrected and that was relied upon by the Bank to purchase or sell a loan or financial instrument.<sup>5</sup>

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#### 2.1.5. EMPLOYEE MISCONDUCT

Employee misconduct is any deliberate and willful or grossly negligent violation of a Bank policy or established procedure, where the violation has the potential to harm the Bank, whether as a whole or within a specific department, the potential to harm other employees, or the potential to harm the reputation of the Bank. Employee misconduct also includes the examples of misconduct identified in the definition of “Insider Fraud” in AB-2015-01. Misconduct can also be a repeated violation of a Bank policy, despite prior warnings or other explicit instructions.

“Harm” does not have to include any monetary value and includes, but is not limited to:

- 2.1.5.1. Misuse of position;
- 2.1.5.2. The attempt to influence another employee to participate in questionable activity, which may result in a violation of Bank policies, including the *Code of Conduct*;
- 2.1.5.3. Knowingly making a false statement to senior management or the Board of Directors; and
- 2.1.5.4. Falsifying reports or data used by the Bank in any aspect of its business, including reports presented to Bank working groups, committees, and the Board of Directors and its committees.

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#### 2.1.6. DISCOVERY DATE

Discovery date means the date at which the Bank becomes aware of a fraud or possible fraudulent activity, including employee misconduct.<sup>5</sup>

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### 2.2. FINANCIAL INSTRUMENTS FRAUD OFFICER (“FIFO”) AND AML OFFICER

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#### 2.2.1. FINANCIAL INSTRUMENTS FRAUD OFFICER

The Bank has designated a FIFO under the Finance Agency fraud reporting regulations. The Board of Directors is responsible for the initial and subsequent annual appointment(s) of the Bank’s FIFO. The annual appointment will be conducted via resolution and recorded in meeting minutes.

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#### 2.2.2. AML OFFICER

The Bank has designated an AML Officer to comply with the BSA, the USA PATRIOT Act, and the Anti-Money Laundering Program and SAR Filing Requirements for Housing Government Sponsored Enterprises (GSEs) adopted FinCEN. The AML Officer’s official Board appointment, duties, and responsibilities are described in the *AML Policy*.

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<sup>5</sup> These terms are defined in 12 C.F.R. § 1233.2.



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### 2.2.3. OTHER DUTIES

In addition to other duties assigned by the Board of Directors and senior management, the FIFO and AML Officer will:

- 2.2.3.1. Serve as liaison with law enforcement and regulatory agencies regarding matters of compliance/examinations/reports pertaining to suspected activities, anti-fraud for financial instruments and anti-money laundering programs, and related requirements.
- 2.2.3.2. Receive reports of any fraud, money laundering, or other covered activity hereunder.
- 2.2.3.3. Assist in investigations of fraudulent or suspected fraudulent activity for financial instruments, including internal and external investigations, as assigned by the Deputy General Counsel, the Chief Internal Audit Officer, and/or the Audit Committee, where applicable and outlined within the Procedures.

## 2.3. MONITORING, REPORTING, AND INVESTIGATION

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### 2.3.1. MONITORING FOR MONEY LAUNDERING, TERRORIST FINANCING, SUSPICIOUS ACTIVITIES, AND FRAUD

Covered Persons will monitor for money laundering, terrorist financing, suspicious activities, and fraud. Money laundering, terrorist financing, suspicious activities, and fraud can arise at any time.

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### 2.3.2. REPORTING DUTIES OF ALL COVERED PERSONS

All Covered Persons will immediately report any known or suspected employee misconduct, money laundering, suspicious activity, possible fraud, terrorist financing, and any other violations of this Policy. All such reports will be treated as confidential to the extent possible, and the Bank's *Whistleblower Policy* will apply to such reports and ensuing investigations.

Any person receiving notice of a complaint or report pursuant to (i) EthicsPoint, (ii) this Policy, (iii) the *Whistleblower Policy* or (iv) any Bank procedures pertaining to the handling or reporting of any complaint or report involving fraud, insider fraud,<sup>6</sup> or possible fraud shall immediately notify the AML Officer and FIFO and shall provide such information as either of them may request to support the AML Officer's compliance with regulations of the FinCEN and the FIFO's filing of any reports required by the Finance Agency pursuant to the fraud reporting regulation or AB-2015-01.<sup>7</sup> All such persons shall also be under a continuing duty to promptly provide updated information concerning any such matters to the AML Officer and the FIFO to support reporting requirements.

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### 2.3.3. TO WHOM REPORTS WILL BE MADE

Reports of fraud or possible fraud of financial instruments or purchased or sold loans should be made to the FIFO and/or the AML Officer through the Questionable Activity Report process. Purchased or sold or relating to the purchase or sale means any transaction involving a financial instrument including, but not limited to, any purchase, sale, other acquisition, or creation of a financial instrument by the member of a Bank to be pledged as collateral to the Bank to secure an advance by the Bank to that member, the pledging by a member

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<sup>6</sup> Insider fraud is defined in Finance Agency Advisory Bulletin 2015-01 ("AB-2015-01").

<sup>7</sup> Such reporting may include the filing of an Immediate Notification Fraud Report ("INFR") pursuant to AB-2015-01. Under this advisory bulletin, an INFR must be filed within one calendar day of the date on which the "Bank becomes aware of a fraud or possible fraudulent activity, including employee misconduct."



to a Bank of such financial instrument to secure such an advance, the making of a grant by the Bank under its affordable housing program or community investment program, and the effecting of a wire transfer or other form of electronic payments transaction by the Bank.<sup>8</sup>

All other reports of fraud or possible fraud may be made to the CIAO or one of the designated Ethics Officers.<sup>9</sup> All reporting may also be done confidentially through EthicsPoint at 1-866-850-1408 or [www.ethicspoint.com](http://www.ethicspoint.com).

- If a person making a report has reason to suspect that the recipient of the report might be involved in the activity identified in the report, they should report to a different person designated above.

#### 2.3.4. INVESTIGATIONS

Each report will be investigated promptly and thoroughly at the direction of the Bank’s FIFO, AML Officer, CIAO, and/or the Audit Committee based on the type of report received and possible fraud (financial instruments vs non-financial instruments) as outlined within the Procedures.

#### 2.3.5. REGULATORY FILINGS

The BSA/AML Officer and/or FIFO, or their designee, will prepare and submit fraud-related regulatory filings as required by applicable laws and regulations, the Bank’s Policy, and related Procedures.

### 2.4. CONFIDENTIALITY AND RECORDKEEPING

#### 2.4.1. REPORT CONFIDENTIALITY

The Bank will maintain any report required by this Policy, and any such report’s supporting documentation, as confidential to the extent possible, and in accordance with applicable law. All Covered Persons shall refrain from discussing any report, including required regulatory filings such as SARs, with any other Covered Person except in accordance with Section 2.3 of this Policy. Further, any Covered Person who is subpoenaed or required to disclose a regulatory filing, a report required by the Finance Agency, or the information contained in such report, will report the existence of that subpoena or requirement immediately to the Legal department and the FIFO prior to disclosure of the information to the regulator. The Bank will evaluate any subpoena or requirement under this Policy and *AML Policy*.

#### 2.4.2. RECORDKEEPING AND HOLDING PERIOD

All records associated with fraud investigations, fraud-related regulatory filings and reports, and all other fraud-related records created or obtained in connection therewith, will be maintained by the FIFO, AML Officer, and/or the CIAO for five years from the date of submission or notification. Unless otherwise determined by the FIFO and AML Officer, records will be destroyed at the expiration of this five-year period.

### 2.5. TRAINING PROGRAMS

#### 2.5.1. TRAINING REQUIRED

The FIFO, or its designee will develop, coordinate, and/or provide ongoing training to all employees and designated contractors, if any. Training may be in such format as necessary to effectuate full compliance with AML laws and regulations, AB 2015-01, and the *Policy*. Anti-Fraud training will otherwise comply with the requirements of the *AML Policy*.

<sup>8</sup> These terms are defined in 12 C.F.R. § 1233.2.

<sup>9</sup> The Ethics Officers are identified in the *Code of Conduct* and on the Bank’s Intranet and Public Web sites.



## 2.6. FINANCE AGENCY FINANCIAL INSTRUMENT FRAUD REPORTING

It is the Bank's policy to comply with Part 1233 of the Finance Agency's regulations, *Reporting of Fraudulent Financial Instruments*, and AB 2015-01. The Bank will also, in a timely manner, prepare and file all reports contemplated by Part 1233 and the Advisory Bulletin. Applicable requirements will be set forth in the Bank's *Anti-Fraud Procedures*.

## 2.7. WHISTLEBLOWER PROTECTION

This Policy is subject to the Bank's *Whistleblower Policy*. No Covered Person attempting to comply with this Policy will:

- Be dismissed or threatened with dismissal,
- Be disciplined or suspended or threatened with discipline or suspension,
- Be penalized or have any other retribution imposed, or
- Be intimidated or coerced,

based on the fact that the Covered Person has reported an incident or participated in an investigation in accordance with the requirements of this Policy.

## 3. AMENDMENTS

The Board may amend this Policy at any time.

## 4. APPROVAL AND REVIEW CYCLE

This Policy, as amended, is effective as of March 22, 2019. The Audit Committee will review this Policy, recommend any changes, and recommend Board approval at least once per calendar year.

## 5. RELEVANT AUTHORITIES AND REFERENCES

31. C.F.R. Part 1030, *Rules for Housing Government Sponsored Enterprises*  
12 C.F.R. Part 1233, *Reporting of Fraudulent Financial Instruments*  
12 C.F.R. Part 1236, *Prudential Management and Operations Standards*  
Federal Housing Finance Agency Advisory Bulletin 2015-01 – *FHLBank Fraud Reporting*



6. DOCUMENT CHANGE RECORD

| Version | Date       | Description  | Reviewed by  |
|---------|------------|--|--|
| 1.0     | 03/18/2016 | Transferred Policy into Bank policy framework. No content changes required.  | Legal/Compliance   |
| 1.1     | 03/24/2017 | Reviewed for annual maintenance; separated from AML Policy. Preparation for re-adoption by the Board.  | Policy Management<br>Legal/Compliance<br>Audit Committee -<br>Board of Directors |
| 2.0     | 03/23/2018 | Annual maintenance. Some re-formatting done to comply with Bank's Policy Framework. Key content changes include updates to clarify FIFO and AML Officer roles, further identify parties involved in investigations, and add new "Employee Wrongdoing" section. Suspended Counterparty Program section removed. | Policy Management<br>Legal/Compliance<br>Audit Committee -<br>Board of Directors |
| 3.0     | 3/22/2019  | Annual maintenance. Changes to clarify anti-fraud for financial instruments vs. non-financial instruments as defined in the Finance Agency regulation.   | Legal<br>Compliance<br>Audit Committee-<br>Board of Directors                    |